SGGF

MANAGEMENT CORPORATION

Saskatchewan Government Growth Fund VII Ltd

2004 ANNUAL REPORT

Creating economic
wealth and diversification
through investment
of immigrant investor
capital in Saskatchewan

SASKATCHEWAN GOVERNMENT
GROWTH FUND

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FUND PROFILE

Saskatchewan Government Growth Fund VII Ltd. ("SGGF VII" or the "Fund") is a government-administered venture capital fund pursuant to the Immigration Regulations, 1978 (Canada), as amended. It was formed to enable immigrant investors to invest in businesses operating in Saskatchewan and facilitate the investors' qualification as Canadian permanent residents under the Immigrant Investor Program.

FINANCIAL HIGHLIGHTS

- The Fund incurred a loss of $247,000 in 2004 and has an accumulated deficit at December 31, 2004 of $1.7 million.
- Since SGGF VII's inception in 1999, investments made by the Fund total $19.2 million, of which $13.4 million has been invested in infrastructure loans and $5.8 million has been invested in small and medium-sized enterprises.
- Net revenue for the year, including recognition of the fair value of the Fund's investments, was $966,000.

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MESSAGE TO INVESTORS

The priority of Saskatchewan Government Growth Fund VII Ltd. in 2004 was to support investees in the development of their businesses.

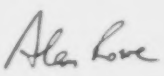
Effective January 1, 2004, the Fund adopted new accounting standards which require that investments be recorded at their fair value as at the date of the financial statements. The periodic change in fair value is reflected in the Consolidated Statement of Operations.

The Fund incurred a loss of $247,000 in 2004, primarily as a result of losses realized on the disposal of investments. Partially offsetting the loss was the recognition of the fair value of investments recorded as a result of the new accounting standard referred to above. Also, the low interest rate environment has had a negative effect on returns available from portfolio investments and infrastructure loans. In this environment, it is difficult to earn sufficient investment income to cover the costs of interest on Note obligations to investors and the costs of managing the Fund.

The accumulated deficit of the Fund is $1.7 million at December 31, 2004. The ability of the Fund to repay investors the full principal amount of their Notes will be dependent on the growth in fair value of investments in small and medium-sized enterprises prior to the maturity of investor Notes.

During 2005, the priority of SGGF VII will be to support investees in the development of their businesses. The Fund will continue to examine opportunities to improve returns over the period leading up to the maturity of investor Notes, while at the same time taking a cautious approach to credit risk.

Roland Hardy
Chair



Alan M. Rowe
President

February 23, 2005

INVESTMENT PROFILES

The following are profiles of investments held by SGGF VII during 2004, including the principal amount invested at December 31, 2004 and a description of the companies' operations. The date of the initial investment in each company is noted in parentheses.

CrownAg International Inc. (November 2001)

$302,139 loan; $381,274 convertible preferred shares

CrownAg International has developed proprietary colour sorting technology for pulse crops. The company operates a processing plant in Regina. The company incurred operational and financial difficulties in 2003 and 2004 and is now leasing its plant to Saskcan Pulse Trading Inc., another company in the Fund's portfolio.

Harman Poultry Farm Ltd. (September 2002)

$176,790 loan

Harman Poultry is the largest producer of eggs in Saskatchewan. The company has operations near Regina and Prince Albert, Saskatchewan, and in Steinbach, Manitoba.

Mid-Sask Terminal Ltd. (May 2003)

$667,241 loan

Mid-Sask Terminal Ltd. operates a high-throughput inland grain terminal in Watrous, Saskatchewan.

Nu-Fab Burton Limited Partnership (June 2001)

$258,708 loan; $365,179 partnership units

Nu-Fab Burton Limited Partnership was formed in 2002 through the merger of Burton Cabinets, in which the Fund previously had an investment, and Nu-Fab Building Products. Burton Cabinets is a Saskatoon-based custom cabinet and millwork manufacturer. Nu-Fab Building Products is a supplier of building products and pre-fabricated residential housing with operations in Regina and Saskatoon. The company restructured its balance sheet in 2004 and the Fund converted a portion of its investment in loans to an investment in partnership units.

Prairie Plant Systems Inc. (May 2001)

Prairie Plant is a Saskatoon-based company involved in the innovation and delivery of new plant biotechnologies for environmental and commercial applications. During 2004, the Fund sold its entire interest in its loans to the company and in the associated share purchase warrants.

Quartus Energy Limited (May 2001)

Quartus Energy Limited is involved in the exploration, development and production of natural gas in and around Burstall, Saskatchewan. During 2004, the company was sold and the Fund sold its entire interest in common shares of the company.

R. Young Seeds Inc. (February 2003)
$213,264 loan

R. Young Seeds operates a high throughput pulse/grain crop processing and colour sorting operation. The company is located near Mortlach, Saskatchewan.

Saskcan Pulse Trading Inc. (May 2002)
$296,241 loans; $211,950 common shares

Saskcan is a Regina-based company which operates North America's largest lentil splitting facility as well as three other pulse crop processing facilities in Saskatchewan, including CrownAg International's plant in Regina.

Tri-North Farms Limited Partnership (October 2001)
$122,215 loans

Tri-North Farms is a limited partnership established to build and operate a 1,300 sow, two-site hog multiplier facility. The company is located near Medstead, Saskatchewan.

CAJON Leasing (December 2001)
$4,463,405 loans

CAJON, located in Regina, leases vehicles and other assets to Saskatchewan Crown corporations and government-related entities.

R & R Leasing (July 2002)
$4,691,657 loans

R&R is based in Saskatoon and leases buildings, equipment and vehicles to Saskatchewan Crown corporations, other government-related entities and private enterprises.

Background

Saskatchewan Government Growth Fund VII Ltd. ("SGGF VII" or the "Fund") is an immigrant investor fund which operates in accordance with the regulations of the federal Immigrant Investor Program (the "IIP"). The Fund began commercial operations in 1999 when it accepted its first subscription deposits. The Fund is financed by subscriptions received from immigrant investors. The objective of the Fund is to invest at least 70% of the proceeds of subscriptions in eligible businesses in Saskatchewan for a five year period as required by the IIP. This allows the immigrant investor to satisfy the investment requirements of the IIP for a Canadian-resident visa.

Obligations to investors

SGGF VII's activities are financed by immigrant investors who have subscribed for unsecured, subordinated promissory notes ("Notes") offered through an Offering Memorandum. The interest rate for a Note is determined at the time the full subscription is received, and remains constant over the term of the Note. Obligations under the Notes are subordinate to all other liabilities of the Fund and repayment is dependent on the proceeds on liquidation of investments and all other available liquidity in excess of other liabilities.

The Notes mature five years from the date of issue. The IIP requires that the maturity date of a Note be extended if, and for so long as, less than 70% of the amount of the Note is invested in the active business operations of eligible businesses in Saskatchewan.

The Fund was closed to new subscription applications on March 31, 1999. In 2003, the Fund required subscribers to fully pay any outstanding subscription amounts, and subscribers who did not do so forfeited their right to participate in the Fund.

At December 31, 2004, obligations to investors totalled $22.0 million, comprised of 88 Notes (2003 - $21.5 million; 86 Notes). In January 2004, two Notes were issued following receipt of full subscription amounts referred to above. Based on information available to the Fund, it is estimated that holders of three Notes have not yet received their visas and therefore retain their right of rescission. Obligations to investors mature over the period from 2006 to January 2009.

Total interest expense on obligations to investors and subscription deposits in 2004 was $423,000 (2003 - $518,000).

Investments

The investment policy of the Fund reflects the requirements imposed by both the IIP and the Offering Memorandum. To meet these requirements, the Fund has established a target initial investment allocation consisting of:

- a maximum of 30% invested in small and medium-sized enterprises ("SMEs") in Saskatchewan;
- 50% invested in loans to support infrastructure projects of the Province of Saskatchewan, and its agencies, municipalities and similar institutions; and,
- the balance invested in cash or liquid debt securities.

As investments are divested over time, the actual portfolio mix changes. Investments in SMEs and loans to support infrastructure qualify as "eligible businesses" for purposes of the IIP.

The following table sets out the investments of the Fund by type at December 31 in each year:

	2004			2003		
	No.	$ millions	%	No.	$ millions	%
Other investments						
Small and medium-sized enterprises						
Debt investments	7	2.0	10.4	9	3.4	17.2
Equity investments	3	0.6	3.0	4	1.7	8.2
Total	7	2.6	13.4	10	5.1	25.4
Infrastructure loans	7	9.2	47.0	7	10.7	53.8
		11.8	60.4		15.8	79.2
Cash and publicly-traded and short-term investments		7.7	39.6		4.1	20.8
		19.5	100.0		19.9	100.0
Adjustment to fair value						
Provision for credit losses		0.1			(0.7)	
Carrying value		19.6			19.2	
Fair value		19.6			19.3	

Notes: 1. At January 1, 2004, the Fund changed its accounting policies so that investments are carried at fair value. The method of determining fair value at each financial statement date is described in Note 1 to the Consolidated Financial Statements. Prior to January 1, 2004, debt investments were carried at cost with appropriate provisions for credit losses and equity investments were carried at the lower of cost and net realizable value.

2. The total number of SME investments represents the total number of companies. In some cases, an investment in both debt and equity instruments of the same company may have been made.

Since its inception in 1999, the Fund has invested $5.8 million in 10 SME investments and $13.4 million in five loans to support infrastructure.

Investment and other income in 2004 totalled $1.1 million, virtually unchanged from 2003. Losses realized on investments in the year, partially offset by recognition of the fair value of investments held at December 31, 2003, totalled $92,000. In 2003, provisions for losses on investments, net of gains realized on disposal, totalled $607,000. Net revenue in 2004 was $966,000, compared with $519,000 in 2003.

Management

The Fund is managed by the Saskatchewan Government Growth Fund Management Corporation ("SGGF MC") under a contract which provides for a management fee not to exceed 3.0% of the net assets of the Fund. SGGF MC has contracted administration and investment advisory services from Crown Capital Partners Inc. ("CCPI"), a private, national investment advisor based in Regina, Saskatchewan. CCPI is paid a monthly fee for its services and will receive a performance fee based on the retained earnings, if any, of the Fund after all investor obligations are repaid in full and all investments have been liquidated.

Administration expense for the Fund totalled $440,000 in 2004, compared with $428,000 in 2003. Administration expense, represented 2.2% (2003 – 2.1%) of weighted average total assets.

Results of operations

During 2004, the Fund incurred a loss of $247,000, compared with a loss of $728,000 in 2003. The loss was caused by a loss realized on a SME investment which was partially offset by the recognition of the fair value of other investments held at December 31, 2004, and by returns on publicly-traded and short-term investments and infrastructure loans which are less than the costs of administration and financing. Investment income on weighted average total assets, before losses realized on the disposal of investments and the recognition of fair value, was 5.2% (2003 – 5.7%). Losses realized on disposal and unrealized gains (2003 – provisions), net, were (0.5)% (2003 – (3.0)%). Interest expense was 2.1% (2003 – 2.6%). All other expenses were 3.9% (2003 – 3.6%).

At December 31, 2004, the Fund had an accumulated deficit of $1.7 million compared with a deficit of $1.4 million at December 31, 2003.

Outlook and risks and uncertainties

The Fund has completed its fundraising and investing phase. The priority of the Fund is the management of its investment portfolio to maximize returns and to provide for liquidation of investments to satisfy obligations to investors at maturity of their Notes. Additional investments in SMEs and loans to support infrastructure will be made only to replace investments in eligible businesses which are required to satisfy the five-year investment requirements of the IIP, to support the operations and maximize the value of existing SME investments, or to enhance the returns of the Fund.

The investment allocation of the Fund which is prescribed by the IIP and Offering Memorandum significantly influences the returns available to the Fund. Investments in SMEs, which can represent up to 30% of the Fund's investments, provide an opportunity for higher returns, but also carry a higher risk of losses than other investment types, and a greater challenge to achieving liquidity at the time that Notes mature. On the other hand, the balance of investments which consist of liquid securities and loans to finance infrastructure are relatively low risk, but also provide low returns that reflect the lower risk exposure. Since the Fund was launched in 1999, interest rates in the general economy have decreased significantly, which has created a challenge to the Fund to earn sufficient returns to pay interest on Notes and administration costs.

The significant risks and uncertainties which affect the Fund relate to market risk, credit risk, interest rate risk, and liquidity risk. These risk factors are described in note 11 to the financial statements. The Fund manages these risks to the extent possible; however the factors may affect the ability of the Fund to repay its Notes at maturity. The Fund has no sources of funds to finance the repayment of its Notes other than the proceeds received on liquidation of its investments.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

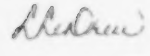
The President and fund manager of the Saskatchewan Government Growth Fund VII Ltd. are responsible for management of the Fund. The accompanying consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles, and necessarily include amounts which are based on informed judgement and management estimates. Financial data presented elsewhere in this annual report is consistent with that in the financial statements.

Management's responsibility includes ensuring the integrity and objectivity of financial information. Management maintains an appropriate system of internal accounting and administrative controls, policies and procedures to provide reasonable assurance that all transactions are authorized, financial records are complete and accurate, and assets are safeguarded against loss.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting. The Board has established an Audit Committee to review the Fund's accounting policies and financial statements prior to their presentation to the Board for approval. The Audit Committee also reviews the internal controls of the Fund, and meets regularly with the auditors. The Board has reviewed and approved these financial statements.

Deloitte & Touche LLP, the Fund's independent auditors, have examined the financial statements of the Fund. Their responsibility is to conduct an independent and objective audit and to report on the fairness of presentation of the Fund's financial position, results of operations and cash flows as shown in the financial statements. The Auditors' Report outlines the scope of their examination and their opinion.

Alan M. Rowe, C.A.
President



Lori K. Le Drew, C.M.A.
Controller, Crown Capital Partners Inc.

February 23, 2005

AUDITORS' REPORT

To the Shareholder of Saskatchewan Government Growth Fund VII Ltd.:

We have audited the consolidated statement of financial position of Saskatchewan Government Growth Fund VII Ltd. as at December 31, 2004, and the consolidated statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Regina, Saskatchewan
February 9, 2005

Saskatchewan Government Growth Fund VII Ltd.
Consolidated Statement of Financial Position

December 31	2004	2003
Assets		
Cash	**$ 1,896,650**	$ 1,171,718
Accounts receivable and accrued income	**115,054**	121,075
Publicly-traded and short-term investments (Note 5)	**5,898,501**	2,972,297
Other investments (Note 6)	**11,852,920**	15,019,776
Deferred costs (Note 7)	**613,376**	960,049
	$ 20,376,501	$ 20,244,915
Liabilities and Shareholder's Deficiency		
Accounts payable and accrued liabilities	**$ 13,438**	$ 12,023
Commissions payable	**3,750**	20,000
Subscription deposits (Note 8)	**31,483**	137,983
Obligations to investors (Note 9)	**22,000,000**	21,500,000
	22,048,671	21,670,006
Share capital (Note 10)	**1,000**	1,000
Deficit	**(1,673,170)**	(1,426,091)
	(1,672,170)	(1,425,091)
	$ 20,376,501	$ 20,244,915

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

Roland Hardy
Director

Lloyd Boutilier
Director

Saskatchewan Government Growth Fund VII Ltd.
Consolidated Statement of Operations and Deficit

Year ended December 31	2004	2003
Revenues		
Income from cash and publicly-traded and short-term investments	$ 209,790	$ 307,040
Income from other investments	839,114	772,864
Other income	9,283	46,085
	1,058,187	1,125,989
Gains realized on sale of publicly-traded and short-term investments	-	74,372
Gains realized on disposal of other investments	34,858	-
Losses realized on disposal of other investments	(650,245)	-
Increase in fair value of investments	523,645	
Provision for investment losses		(681,119)
	(91,742)	(606,747)
Net revenue	966,445	519,242
Expenses		
Administration (Note 12)	439,945	428,194
Interest on obligations to investors	423,156	472,894
Interest on subscription deposits	-	44,811
Amortization of deferred costs	350,423	301,325
	1,213,524	1,247,224
Loss for the year	(247,079)	(727,982)
Deficit, beginning of year	(1,426,091)	(698,109)
Deficit, end of year	$(1,673,170)	$(1,426,091)

See accompanying notes to the consolidated financial statements.

Saskatchewan Government Growth Fund VII Ltd.
Consolidated Statement of Cash Flows

Year ended December 31	2004	2003
Cash flows from operating activities		
Loss for the year	**$ (247,079)**	$ (727,982)
Items not affecting cash:		
Increase in fair value of investments	**(523,645)**	
Provision for investment losses		681,119
Amortization of premium and discount on bonds	**19,886**	21,523
Gains realized on sale of publicly-traded and short-term investments	**-**	(74,372)
Net losses realized on the disposal of other investments	**615,387**	-
Amortization of deferred costs	**350,423**	301,325
Net change in non-cash balances related to operations (Note 13)	**(12,564)**	(261,654)
Cash flows from operating activities	**202,408**	(60,041)
Cash flows from investing activities		
Purchase of publicly-traded and short-term investments	**(2,914,500)**	-
Sale of publicly-traded and short-term investments	**50,000**	3,441,168
Disbursements on other investments	**(637,398)**	(6,775,262)
Repayments of other investments	**3,630,922**	1,346,302
Cash flows from investing activities	**129,024**	(1,987,792)
Cash flows from financing activities		
Proceeds from note subscriptions	**393,500**	79,215
Cash flows from financing activities	**393,500**	79,215
Net increase (decrease) in cash	**724,932**	(1,968,618)
Cash, beginning of year	**1,171,718**	3,140,336
Cash, end of year	**$1,896,650**	$ 1,171,718
Interest paid during the year	**$ 423,156**	$ 791,169

See accompanying notes to the consolidated financial statements.

Saskatchewan Government Growth Fund VII Ltd.
Notes to Consolidated Financial Statements
December 31, 2004

1. Status of the Corporation

Saskatchewan Government Growth Fund VII Ltd. ("SGGF VII" or the "Fund") was incorporated in February 1999 under *The Business Corporations Act* (Saskatchewan) and has been accepted as a government administered venture capital fund under the federal government's Immigrant Investor Program ("IIP"). Under this program, the Fund was established to raise $35,000,000 through a note offering. Each note is a variable rate (1.50% to 3.50%), unsecured, subordinated debt instrument with a principal amount of $250,000, repayable in five years provided that 70% of the proceeds are invested in eligible businesses ("Notes") throughout the five year period. The marketing period for the Fund ended on March 31, 1999, and 2004 was the last year in which the Fund accepted the completion of subscription payments.

The Confidential Offering Memorandum ("Memorandum") and the IIP prescribe various conditions which qualify an investment as an eligible business, including a requirement that the business be Saskatchewan based and have assets, including assets of associated companies, of less than $35 million.

The Government of Canada and the Government of the Province of Saskatchewan offer no guarantees or assurances on the financial performance of the Fund or of a return of an investor's original investment and neither government will be liable for any loss or damages suffered by an investor as a result of an investment in the Notes.

The consolidated financial statement include the accounts of the Fund and those of 101027596 Saskatchewan Ltd. on a proportionate basis. The only asset in 101027596 Saskatchewan Ltd. is an equity investment for which the proportionate share of SGGF VII is included in other investments.

2. Significant accounting policies

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following are considered significant:

Measurement uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed quarterly and adjustments are reported in the Consolidated Statement of Operations and Deficit in the period in which they become known. The primary measurement uncertainty which may affect the reported amounts relates to the determination of fair values of other investments as described below.

Saskatchewan Government Growth Fund VII Ltd.
Notes to Consolidated Financial Statements (continued)
December 31, 2004

Publicly-traded and short-term investments

Publicly-traded and short-term investments are carried at fair value. Income from publicly-traded and short-term investments is recognized as earned. The change in fair value of publicly-traded and short-term investments during the year is included in the Consolidated Statement of Operations and Deficit. Fair values for publicly-traded investments are determined by reference to quoted market values. Fair values for short-term investments are assumed to be equal to cost.

Prior to January 1, 2004, publicly-traded debt investments were carried at amortized cost and publicly-traded equity investments were carried at the lower of cost and, in the case of investments where a loss in value that was other than temporary had occurred, net realizable value.

Other investments

Other investments include debt and equity investments in private companies. Other investments are carried at fair value. Income from debt investments ("loans") is recognized as earned except if the investment is impaired. A loan is considered to be impaired if, as a result of deterioration in credit quality, there is no longer reasonable assurance of the timely collection of the full amount of principal and interest. Any loan on which contractual payments are in arrears for 90 days or more is usually assumed to be impaired. Other factors that are considered in determining whether a loan is impaired are the overall credit quality of the borrower and the fair value of the underlying security. When a loan becomes impaired, recognition of interest income ceases. Income from equity investments is recognized when received. The change in fair value of other investments during the year is included in the Consolidated Statement of Operations and Deficit.

Fair values for other debt investments are determined by calculating the present value of the remaining payments under the loans. The discount rate used is based on the expected return at the date of the financial statements for a loan to an investee with similar risk characteristics. The discount rate is comprised of a base risk-free rate based on a Government of Canada bond with equivalent duration, a credit risk premium based on publicly-traded debt with a BBB credit rating, and an additional credit risk and liquidity premium based on the circumstances of the specific investee.

Fair values for other equity investments are determined by management on the basis of the expected realizable value of the investments as at the date of the financial statements if they were disposed of in an orderly manner over a reasonable period of time, discounted at a discount rate which is appropriate at the date of the financial statements to investments in similar companies. There is no active secondary market for many investments which are not publicly-traded, and there is considerable uncertainty and a potentially broad range of outcomes with respect to the future cash flows from these investments. Valuations of such investments are subject to a number of assumptions and uncertainties that may cause actual values realized on disposal to differ materially from the fair value estimated at any particular time.

Saskatchewan Government Growth Fund VII Ltd.
Notes to Consolidated Financial Statements (continued)
December 31, 2004

Generally accepted accounting principles limit the situations where investee companies over which an entity has significant influence are not consolidated. The Fund intends to dispose of its investments in due course; therefore, other investments are not consolidated.

Prior to January 1, 2004, other debt investments were carried at cost net of provisions for investment losses, and other equity investments were carried at the lower of cost and, where a loss in value that is other than temporary has occurred, net realizable value. A provision for investment losses was established for impaired loans to reduce their value to the estimated fair value of the security underlying the loan. If the credit quality of the loan subsequently improved, a provision was reduced or reversed.

Other equity investments that were evaluated as possibly being subject to a loss in value were assessed periodically based on appropriate criteria, including past operating results of the investee, financial outlook of the investee, recent capital transactions, and their associated value, between the investee and arm's length parties, and liquidity or going concern problems of the investee. When a decline in the value of an equity investment was no longer considered to be temporary, the investment was written down through a provision and was carried at the written down value until disposal of the equity investment.

Deferred costs

Deferred costs include commissions, consulting, legal, administrative, accounting, general and printing costs associated with the Fund's offering of Notes. Deferred costs are amortized over five years from the date of Note issuance.

Commissions payable

According to the terms of marketing agreements entered into by the Fund, a commission is payable to the independent marketing agents selling the Notes upon receipt by the Fund of the subscription deposit and all required documentation. The commission is subject to a holdback pending issuance of the investor's immigrant visa. Commissions paid or payable on subscriptions received have been deferred and amortized.

Obligations to investors

Obligations to investors represent the Notes issued to investors of the Fund. The Notes help to satisfy a portion of investors' visa requirements under the IIP. Interest to the maturity date of Notes is accrued at an annual rate between a minimum of 1.50% and a maximum of 3.50% from the date of Note issuance until maturity. The rate is determined at the time of subscription deposit and is calculated as 3.60% less than the then current yield on a benchmark Government of Canada bond. Interest is paid annually on December 31 and at maturity.

Saskatchewan Government Growth Fund VII Ltd.
Notes to Consolidated Financial Statements (continued)
December 31, 2004

3. Change in accounting policy

Effective January 1, 2004, the Fund prospectively adopted "Accounting Guideline 18 – investment Companies" (AcG-18) of the Canadian Institute of Chartered Accountants. This guideline requires that for qualifying entities, investments held are to be measured and reported at their fair value as described in note 2. Previously, investments were carried at cost subject to certain adjustments as described in note 2. The change was implemented on a prospective basis, and the change in fair value recorded on the Consolidated Statement of Operations and Deficit for the year ended December 31, 2004 represents the difference between the fair value of investments held at December 31, 2004 and either the carrying value, after provisions of the investment at December 31, 2003 or, in the case of investments acquired in 2004, the cost of the investment.

Losses realized on disposal of investments, net of the recognition of fair value of investments, in 2004 is also net of $142,194 representing the excess as at January 1, 2004 of the fair value of investments over the carrying value on the previous basis of accounting.

4. Provisions of the IIP

70% investment requirement

The terms of the IIP require that at least 70% of each subscription amount be invested in eligible businesses no later than nine months from receipt of the full subscription amount. As at December 31, 2004, all full subscription amounts have been invested in eligible businesses in accordance with the terms of the IIP.

Minimum holding period and maturity of the Notes

A Note is issued to evidence receipt of the full subscription amount on the date that at least 70% of the subscription amount has been invested in eligible businesses. Each Note is scheduled to mature five years from such date, provided the Fund maintains at least 70% of the Note continuously invested in the active business operations of eligible businesses for five years following the issuance date. The IIP contains provisions which require that the maturity date of a Note be extended if, and for such period that, a minimum of 70% of the Note amount ceases to be invested in the active business operations of eligible businesses.

If the subscription amount has not been at least 70% invested in eligible businesses within nine months of receipt, then, for the period from nine months after receipt until a minimum of 70% of the subscription amount has been initially invested in eligible businesses, the investor receives an additional payment as compensation for the extension of the maturity date of their note.

Saskatchewan Government Growth Fund VII Ltd.
Notes to Consolidated Financial Statements (continued)
December 31, 2004

5. Publicly-traded and short-term investments

Publicly-traded and short-term investments consist of Government of Canada Bonds ("Bonds").

Security	Rate %	Maturity Date	Par $	2004 Carrying Value $	2003 Carrying Value $
Bond	6.00	1/9/05	987,000	**992,099**	998,899
Bond	5.75	1/9/06	1,888,888	**1,910,892**	1,923,465
Bond	3.25	1/12/06	2,900,000	**2,913,920**	-
Bond	5.00	1/9/04	50,000	-	49,933
				5,816,911	2,972,297
Adjustment to fair value				**81,590**	
Carrying value				**5,898,501**	2,972,297
Fair value				**5,898,501**	3,094,267

6. Other investments

	2004	2003
Debt instruments	**$11,191,660**	$ 14,121,011
Equity instruments	**577,173**	1,638,006
	11,768,833	15,759,017
Adjustment to fair value	**84,087**	
Provision for investment losses		(739,241)
Carrying value	**$11,852,920**	$ 15,019,776
Fair value	**$11,852,920**	$ 15,040,000

Included in investments is $302,139 (2003 - $1,596,669) of impaired investments, against which the accumulated provision for investment losses in 2003 was $739,241 and upon which income is not accrued. During the year $650,245 (2003 - $2,850) of investments and costs have been written off.

Saskatchewan Government Growth Fund VII Ltd.
Notes to Consolidated Financial Statements (continued)
December 31, 2004

During the year, investments decreased as follows:

	2004	2003
Balance, beginning of year	**$15,019,776**	$ 10,271,935
New investments	**637,398**	6,775,262
Book value of divestments	**(3,596,064)**	(1,346,302)
Investments and costs written off	**(650,245)**	(2,850)
Net change in fair value	**442,055**	
Net change in provision for investment losses		(678,269)
Balance, end of year	**$11,852,920**	$ 15,019,776

Debt instruments have interest rates ranging from 0% to 15% and maturity dates ranging from demand to April 2009.

7. Deferred costs

Deferred costs have been recorded net of accumulated amortization of $1,125,236 (2003 - $774,813).

8. Subscription deposits

Subscription deposits represent partial deposits on Notes received prior to 2004 which have not yet been refunded to investors. The Fund was closed to deposits in 2004 and investors who have made partial subscriptions have no right to complete their subscription.

Saskatchewan Government Growth Fund VII Ltd.
Notes to Consolidated Financial Statements (continued)
December 31, 2004

9. Obligations to investors

Obligations to investors consist of 1.50% to 3.50% unsecured promissory notes. The obligation at December 31 is comprised of Notes with interest rates as follows:

	2004		2003	
	Number	$	Number	$
1.50%	40	10,000,000	38	9,500,000
1.70%	1	250,000	1	250,000
1.75%	3	750,000	3	750,000
2.00%	5	1,250,000	5	1,250,000
1.85%	1	250,000	1	250,000
2.20%	4	1,000,000	4	1,000,000
2.05%	8	2,000,000	8	2,000,000
2.30%	1	250,000	1	250,000
2.40%	7	1,750,000	7	1,750,000
2.45%	2	500,000	2	500,000
2.50%	5	1,250,000	5	1,250,000
2.60%	9	2,250,000	9	2,250,000
2.80%	2	500,000	2	500,000
	88	22,000,000	86	21,500,000

The following is the schedule of Note maturities as at December 31, 2004:

2006	$ 6,750,000
2007	9,000,000
2008	5,750,000
2009	500,000
	$ 22,000,000

Obligations under the Notes are subordinate to all other liabilities of the Fund and repayment is dependent on the proceeds on liquidation of investments and other available liquidity in excess of other liabilities. The Notes are irrevocable, except in the case that a visa is denied. To the knowledge of the Fund, visas have not yet been approved with respect to a maximum of three investors to whom Notes have been issued.

10. Share capital

The authorized common share capital of the Fund at December 31 consists of an unlimited number of voting common shares. Holders of the common shares are entitled to receive dividends.

Saskatchewan Government Growth Fund VII Ltd.
Notes to Consolidated Financial Statements (continued)
December 31, 2004

The issued common share capital at December 31 is:

	2004	2003
1,000 common shares	**$1,000**	$1,000

11. Risk management

The Fund's primary business is the raising of capital from immigrant investors and placing these funds in new and expanding Saskatchewan businesses. This investment activity entails exposure to market risk, credit risk, interest rate risk, and liquidity risk. These risk factors may impact upon the Fund's ability to repay its Notes at maturity.

Market risk

Market risk is the risk that the fair value of an investment may be affected by the ability of an investee company to profitably distribute its products. Some of the companies in which the Fund invests are dependent upon a single product or industry. The Fund manages this risk through careful due diligence prior to committing funds to the investment and by diversifying its investments across various industry sectors.

Credit risk

Credit risk is the risk that an investee will fail to perform its obligations. Concentration of credit exposure may arise given that the Fund restricts its investments to businesses operating in Saskatchewan and therefore all investments are subject to a similar general economic environment. In addition, changes in commodity prices and foreign currency exchange rates may significantly affect the financial position of some investees. The Fund conducts thorough due diligence prior to committing to an investment and actively monitors the financial health of its investees on an on-going basis.

Interest rate risk

Interest rate risk is the risk that the Fund's earnings will be affected by fluctuations in interest rates. The Fund manages this risk through carefully monitoring and matching the duration of its investments with the duration of its obligations to investors.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in liquidating its investments at the time it is required to repay its Notes. Due to the nature of some of the Fund's investments, the timing of cash flows from its investments may not exactly match the payments owing under the Fund's Notes. The Fund carefully monitors the duration of its investments. However, timing differences may require the Fund to reduce or delay the payments owing on Notes at maturity.

Saskatchewan Government Growth Fund VII Ltd.
Notes to Consolidated Financial Statements (continued)
December 31, 2004

Fair value – obligations to investors

No secondary market for the Notes exists. Due to the unique features associated with the Notes, the calculation of a fair value with appropriate reliability is impractical. The risk factors that affect the fair value of investments, as described above, also affect the fair value of obligations to investors. Repayment of these obligations at maturity is dependent upon the value and liquidity of investments at that time.

12. Administration

Under the terms of a management agreement, expiring in 2009, between the Fund and Saskatchewan Government Growth Fund Management Corporation ("SGGF Management Corporation"), SGGF Management Corporation administers the assets of the Fund with the assistance of a manager that performs fund administration and investment management. SGGF Management Corporation does not guarantee the financial performance of the Fund. All services provided to the Fund are charged on a fee for service basis. The costs billed to the fund by SGGF Management Corporation are as follows:

	2004	2003
Manager's fees	**$ 384,659**	$ 375,943
General administration	**30,823**	30,075
Directors' fees and expenses	**7,491**	8,837
Legal and professional	**16,972**	13,339
	$ 439,945	$ 428,194

13. Net change in non-cash balances related to operations

	2004	2003
Accounts receivable and accrued income	**$ 6,021**	$ 32,016
Deferred costs	**(3,750)**	22,500
Accounts payable and accrued liabilities	**1,415**	112
Commissions payable	**(16,250)**	(40,000)
Accrued interest payable	**-**	(276,282)
	$ (12,564)	$(261,654)

14. Income taxes

A provincial Crown corporation, SGGF Management Corporation, owns all of the issued shares of the Fund. Therefore, the Fund is exempt from income taxes.

Saskatchewan Government Growth Fund VII Ltd.
Notes to Consolidated Financial Statements (continued)
December 31, 2004

15. Related party transactions

Included in these consolidated financial statements are amounts resulting from transactions with SGGF Management Corporation pursuant to a management agreement referred to in Note 12. Account balances resulting from these transactions are included in the Consolidated Statement of Financial Position and are settled on normal trade terms. Total fees charged to SGGF VII by SGGF Management Corporation amounted to $ 439,945 (2003 - $428,194). Total fees payable to SGGF Management Corporation at December 31, 2004, and included in the above, are $13,438 (2003 - $12,023).

FIVE YEAR FINANCIAL SUMMARY

Financial Position (thousands of dollars)

December 31	2004	2003	2002	2001	2000
Assets					
Cash	$ 1,897	1,172	3,140	2,414	2,300
Publicly-traded and short-term investments	5,898	2,972	6,361	13,138	13,378
Other investments	11,853	15,020	10,272	4,818	-
Other assets	728	1,081	1,437	1,947	1,217
Total assets	$ 20,376	20,245	21,210	22,317	16,895
Liabilities and Deficit					
Obligations to investors	$ 22,031	21,638	21,835	22,380	16,403
Other liabilities	17	32	72	205	161
(Deficit) equity	(1,672)	(1,425)	(697)	(268)	331
Total liabilities and deficit	$ 20,376	20,245	21,210	22,317	16,895

Operating Results (thousands of dollars)

Years ended December 31	2004	2003	2002	2001	2000
Revenues					
Investment income	$ 839	773	494	81	-
Lease revenue	-	-	-	194	-
Interest from cash and publicly-traded and short-term investments	210	307	403	735	738
Other income	9	46	8	24	19
	1,058	1,126	905	1,034	757
(Losses) gains realized on disposal of investments	(615)	74	-	-	-
Adjustment to fair value	523				
Provision for losses on investments		(681)	(61)	-	-
Net revenue	966	519	844	1,034	757
Expenses					
Administration	440	428	422	278	220
Financing	773	819	851	1,355	337
Total expenses	1,213	1,247	1,273	1,633	557
Net income (loss)	$ (247)	(728)	(429)	(599)	200

Note: Effective January 1, 2004, the Fund changed its accounting policy on a prospective basis to measure and report investments at their fair value

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Harwood Davies
Businessman
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Gordon Mertler
Businessman
Regina, Saskatchewan

Fund Manager
Saskatchewan Government Growth Fund Management Corporation, which has retained Crown Capital Partners Inc. to provide management services

Crown Capital Partners Inc.
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Christopher J. Anderson, C.F.A., Partner
Brent Hughes, C.F.A., Partner
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Saskatchewan Government Growth Fund **VII** Ltd

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